

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF GRAYSON RURAL ELECTRIC )  
COOPERATIVE CORPORATION TO MAKE CHANGES ) CASE NO.  
IN ITS DIRECT LOAD CONTROL TARIFF ) 2011-00379  
)

O R D E R

Grayson Rural Electric Cooperative Corporation ("Grayson") filed an application on September 20, 2011 requesting approval of two changes it proposes to make in its existing Direct Load Control Program. Grayson proposes to offer an additional one-time monetary incentive to encourage members to participate in its existing Direct Load Control Program. Grayson also proposes to remove the digital thermostat switch as one of the existing incentive options.

The Commission's Order of October 12, 2011 suspended Grayson's proposed tariff for five months, from October 20, 2011 to and including March 19, 2012. On October 18, 2011, Grayson requested an Informal Conference in this matter, stating that the length of the suspension period will have an adverse economic impact upon its members. On October 24, 2011, Commission Staff's initial request for information was issued to Grayson. On November 3, 2011, Grayson responded to Commission Staff's Initial Information Request. On November 21, 2011, Grayson filed a notice withdrawing its request for an Informal Conference.

## DISCUSSION

Grayson's existing Direct Load Control Program offers incentives to residential customers that have central air conditioning or heat pump units and/or electric water heaters that are 40 gallons or larger. Participants in Grayson's Direct Load Control of Water Heaters Program receive an incentive in the form of a bill credit of \$10.00 per year. Participants in Grayson's existing Direct Load Control of Air Conditioners Program, which includes heat pumps, receive bill credit incentives of \$5.00 per month for each month, June through September, for a total of \$20.00 per year. Participants receive the incentives whether the units are actually controlled or not.

Grayson proposes to offer members a \$25.00 signing bonus, in the form of a bill credit, to members that agree to participate in its Direct Load Control Program. The maximum credit that a member can receive is \$25.00, even if participating in both the Water Heater and the Air Conditioning programs. Grayson believes the signing bonus is the best way to get members' attention and promote the program. Grayson's goal is to have 400 new participants each year in 2011 and 2012. Currently, Grayson has 113 participants in the air conditioner program and 156 participants in the water heater program.<sup>1</sup>

East Kentucky Power Cooperative, Inc. ("East Kentucky"), Grayson's wholesale power supplier, is making available \$10,000 during 2011 and 2012 to help promote the Direct Load Control Program. Grayson states that East Kentucky's Direct Load Control Program approved by the Commission in 2008 budgeted for marketing costs and that the \$10,000 marketing costs were included in the original cost/benefit analysis for the

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<sup>1</sup> See, Response to Item 1 of Staff's First Information Request ("Staff's First Request") (filed Nov. 3, 2011).

program. East Kentucky is making \$10,000 available to each of its 16 member cooperatives for promotion of the Super Saver Load Control Program. Grayson has chosen to use the money to offer its members the one-time \$25.00 bonus incentive, rather than using it for advertising, thereby rewarding its members for participating and keeping the money in the local economy.<sup>2</sup> Grayson also provided the results of the cost/benefit analysis performed for 2011, which show the Direct Load Control Program is still economically justified. Grayson anticipates the signing bonus will continue as long as the funding from East Kentucky continues.

Grayson's Direct Load Control Program currently offers an alternative to the \$20.00 bill credit for air conditioning and heat pump program participants. The participants may choose for East Kentucky, on behalf of Grayson, to provide and install at no cost one or more digital thermostats as needed for control purposes. However, due to problems experienced with the same type and brand of thermostats within the load control program of other utilities in Kentucky, East Kentucky and its 16 member cooperatives decided to eliminate the option of offering a thermostat. Additionally, the thermostats have proven to be incompatible with the proprietary communications protocol used with Grayson's automated meter-reading system.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that Grayson's proposed changes in its Direct Load Control Program are for lawful objects within its corporate purposes, are necessary and appropriate for and consistent with the proper performance by the utility of its service to

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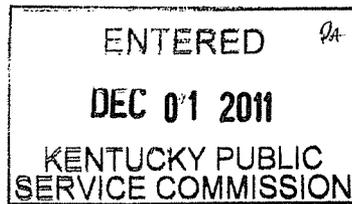
<sup>2</sup> See, Response to Item 3 of Staff's First Request.

the public and will not impair its ability to perform that service, and are reasonable, necessary, and appropriate for such purposes and should be approved.

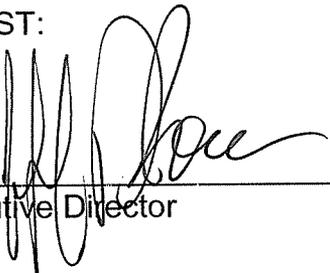
IT IS THEREFORE ORDERED that:

1. Grayson's application to modify its Direct Load Control Program is approved as of the date of this Order.
2. Within 20 days of the date of this Order, Grayson shall file its revised tariff showing the date of issue and that it was issued by authority of this Order.

By the Commission



ATTEST:



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Executive Director

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